



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
HICKMAN COUNTY
SHERIFF'S SETTLEMENT - 1998 TAXES**

May 24, 1999

**EDWARD B. HATCHETT, JR.
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EXECUTIVE SUMMARY
HICKMAN COUNTY
J. W. MORAN, SHERIFF
SHERIFF'S TAX SETTLEMENT – 1998 TAXES

Financial Condition:

The accompanying financial statement presents the Hickman County Sheriff's taxes charged, credited, and paid as of May 24, 1999. The financial statement reflects \$4 due to the Clinton Fire Taxing District. All of the other taxing districts have been properly paid and no refunds are due to the Sheriff.

Comment and Recommendation:

The Sheriff Should Have A Written Agreement To Protect Deposits

Compliance and Internal Control:

There were no noncompliances material to the financial statements. There were no reportable internal control weaknesses.

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Edward B. Hatchett, Jr. Auditor of Public Accounts

To the People of Kentucky

Honorable Paul E. Patton, Governor

John P. McCarty, Secretary

Finance and Administration Cabinet

Mike Haydon, Secretary, Revenue Cabinet

Honorable Greg Pruitt, Hickman County Judge/Executive

Honorable J. W. Moran, Hickman County Sheriff

Members of the Hickman County Fiscal Court

Independent Auditor's Report

We have audited the Hickman County Sheriff's Settlement - 1998 Taxes as of May 24, 1999. This tax settlement is the responsibility of the Hickman County Sheriff. Our responsibility is to express an opinion on the financial statement based on our audit.

We conducted our audit in accordance with generally accepted Government Auditing Standards and the Audit Guide for Sheriff's Tax Settlements issued by the Auditor of Public Accounts, Commonwealth of Kentucky. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The Sheriff prepares his financial statement on a prescribed basis of accounting that demonstrates compliance with the cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the Hickman County Sheriff's taxes charged, credited, and paid as of May 24, 1999, in conformity with the basis of accounting described in the preceding paragraph. Based on the results of our audit, we present the accompanying comment and recommendation, included herein, which discusses the following area of noncompliance.

- The Sheriff Should Have A Written Agreement To Protect Deposits

To the People of Kentucky
Honorable Paul E. Patton, Governor
John P. McCarty, Secretary
Finance and Administration Cabinet
Mike Haydon, Secretary, Revenue Cabinet
Honorable Greg Pruitt, Hickman County Judge/Executive
Honorable J. W. Moran, Hickman County Sheriff
Members of the Hickman County Fiscal Court

In accordance with Government Auditing Standards, we have also issued a report dated July 20, 2000, on our consideration of the Sheriff's compliance with certain laws and regulations and internal control over financial reporting.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
July 20, 2000

HICKMAN COUNTY
J. W. MORAN, SHERIFF
SHERIFF'S SETTLEMENT - 1998 TAXES

May 24, 1999

<u>Charges</u>	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Real Estate	\$ 109,362	\$ 113,334	\$ 391,050	\$ 169,013
Tangible Personal Property	15,755	9,414	48,510	31,477
Intangible Personal Property				11,464
Clay Reserve Tax	69	125	247	107
Fire Protection	596			
Franchise Corporation	31,498	26,816	103,640	
Increased Through Erroneous Assessments	47	37	168	73
Penalties	1,004	1,016	3,553	1,499
Adjusted to Sheriff's Receipt	12	11	39	2
Gross Chargeable to Sheriff	<u>\$ 158,343</u>	<u>\$ 150,753</u>	<u>\$ 547,207</u>	<u>\$ 213,635</u>
<u>Credits</u>				
Discounts	\$ 1,417	\$ 1,332	\$ 4,979	\$ 2,466
Exonerations	875	854	3,128	1,352
Delinquents:				
Real Estate	1,193	1,375	4,262	1,842
Tangible Personal Property	130	78	404	72
Clay Reserve Tax	11	19	38	17
Total Credits	<u>\$ 3,626</u>	<u>\$ 3,658</u>	<u>\$ 12,811</u>	<u>\$ 5,749</u>
Net Tax Yield	\$ 154,717	\$ 147,095	\$ 534,396	\$ 207,886
Less: Commissions *	<u>6,863</u>	<u>5,251</u>	<u>21,376</u>	<u>9,123</u>
Net Taxes Due	\$ 147,854	\$ 141,844	\$ 513,020	\$ 198,763
Taxes Paid	147,641	141,664	512,260	198,425
Refunds (Current and Prior Year)	<u>213</u>	<u>176</u>	<u>760</u>	<u>338</u>
Due District		**		
as of Completion of Fieldwork	<u>\$ 0</u>	<u>\$ 4</u>	<u>\$ 0</u>	<u>\$ 0</u>

* and ** See Page 4

HICKMAN COUNTY
J. W. MORAN, SHERIFF
SHERIFF'S SETTLEMENT – 1998 TAXES
May 24, 1999
(Continued)

* Commissions:

10% on	\$	10,000
4.25% on	\$	468,923
4% on	\$	534,396
1% on	\$	30,775

** Special Taxing District:

Clinton Fire District	\$	<u>4</u>
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The accompanying notes are an integral part of the financial statement.

HICKMAN COUNTY
NOTES TO FINANCIAL STATEMENT

May 24, 1999

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

The Sheriff's tax collection duties are limited to acting as an agent for assessed property owners and taxing districts. A fund is used to account for the collection and distribution of taxes. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

B. Basis of Accounting

The financial statement has been prepared on a cash basis of accounting. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statement. It relates to the timing of measurements regardless of the measurement focus.

Charges are sources of revenue which are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue which are recognized when there is proper authorization. Taxes paid are uses of revenue which are recognized when distributions are made to the taxing districts and others.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. The depository institution pledged or provided sufficient collateral of \$600,000. However, the depository institution's board of directors or loan committee did not approve the pledge or provision of collateral, and the depository institution did not have a written agreement with the Sheriff securing the Sheriff's interest in the collateral.

HICKMAN COUNTY
NOTES TO FINANCIAL STATEMENTS
May 24, 1999
(Continued)

Note 3. Property Taxes

The real and personal property tax assessments were levied as of January 1, 1998. Property taxes were billed to finance governmental services for the year ended June 30, 1999. Liens are effective when the tax bills become delinquent. The collection period for these assessments was September 22, 1998 through March 30, 1999.

Note 5. Interest Income

The Hickman County Sheriff earned \$1,182 as interest income on 1998 taxes. The Sheriff distributed the appropriate amount to the school district as required by statute, and the remainder will be used to operate the Sheriff's office.

COMMENT AND RECOMMENDATION

HICKMAN COUNTY
J. W. MORAN, SHERIFF
COMMENT AND RECOMMENDATION

May 24, 1999

STATE LAWS AND REGULATIONS:

The Sheriff Should Have A Written Agreement To Protect Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). As of November 5, 1998, the Sheriff had bank deposits of \$526,606; FDIC insurance of \$100,000; and collateral pledged or provided of \$600,000. Even though the Sheriff obtained sufficient collateral of \$600,000, the pledge or provision of collateral was not approved by the board of directors of the depository institution or its loan committee, and there was no written agreement between the Sheriff and the depository institution, signed by both parties, securing the Sheriff's interest in the collateral. We recommend the Sheriff enter into a written agreement with the depository institution to secure the Sheriff's interest in the collateral pledged or provided by the depository institution. According to federal law, 12 U.S.C.A. § 1823(e), this agreement, in order to be recognized as valid by the FDIC, should be (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Sheriff's Response:

None.

INTERNAL CONTROL - REPORTABLE CONDITIONS:

None.

INTERNAL CONTROL - MATERIAL WEAKNESSES:

None.

PRIOR YEAR COMMENTS:

The prior year audit noted that pledges were inadequate and that there was no written agreement. The current year pledge is adequate but no written agreement has been obtained.

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REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Honorable Greg Pruitt, Hickman County Judge/Executive
Honorable J. W. Moran, Hickman County Sheriff
Members of the Hickman County Fiscal Court

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the Hickman County Sheriff's Settlement - 1998 Taxes as of May 24, 1999, and have issued our report thereon dated July 20, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Hickman County Sheriff's Settlement - 1998 Taxes as of May 24, 1999 is free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Hickman County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Honorable Greg Pruitt, Hickman County Judge/Executive
Honorable J. W. Moran, Hickman County Sheriff
Members of the Hickman County Fiscal Court
Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party. However, this report, upon release by the Auditor of Public Accounts, is a matter of public record and its distribution is not limited.

Respectfully submitted,

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Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
July 20, 2000

